

Michigan Catastrophic Claims Association



DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Background

- 1973 – Michigan converts to a no-fault state
- Unlimited personal injury protection (PIP) benefits are required to be provided under our no-fault law.
- Michigan is the only state with an unlimited PIP benefit requirement.
- Providing these benefits is the obligation of each auto insurer in Michigan.

Background (cont.)

- Catastrophic injuries with unlimited claims potential places a risk of insolvency on insurers, particularly smaller carriers or those with primary focus in Michigan.
- Early years – insurers purchased reinsurance to protect against this risk.
- Reinsurers were not willing to accept the entire risk.
- Insurers had difficulty purchasing/affording reinsurance coverage.



Creation of MCCA

- Created by legislation. Effective July 1, 1978
- Unincorporated, private, nonprofit association
- All insurers required to be members
- Spreads cost of reinsuring unlimited benefits proportionately across entire industry
- Without this cost sharing, many insurers would be unable or unwilling to write in Michigan.

Coverage

- Reimburses insurers for losses that exceed a certain retention level for each loss occurrence
- From 1978 – 2002, retention level was \$250,000
- Since 2002, gradually increased every year, reaching \$500,000 in 2011
- Since 2011 scheduled for biennial increases by lesser of 6% or CPI, rounded to nearest \$5,000
- July 1, 2013 = \$530,000



Funding

- Member insurers pay annual premium
- By statute, premium must be sufficient to cover present value of lifetime costs of injuries occurring that year
- Includes expenses and adjustments for deficiencies/excesses from previous years
- Members charged a per vehicle assessment

Funding (cont.)

- Assessment made to and paid by insurers
- Insurers typically pass it on, just as they do other costs of doing business
- May be shown on declarations page
- There is no contractual relationship between the MCCA and individual drivers.

MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION ASSESSMENT HISTORY

#	Period	Months	Pure	(Surplus)	Admin.	Total	Attachmt
			Premium	Deficit Adj.	Expense	Assessment	Point
1	7/1/78 to 6/30/79	12	\$3.00		\$0.00	\$0.00	\$3.00
2	7/1/79 to 12/31/79	6	\$6.28		\$5.40	\$0.00	\$11.68
3	1/1/80 to 12/31/80	12	\$6.36		(\$0.36)	\$0.00	\$6.00
4	1/1/81 to 12/31/81	12	\$7.14		(\$0.58)	\$0.20	\$6.76
5	1/1/82 to 12/31/82	12	\$6.64		(\$0.81)	\$0.10	\$5.93
6	1/1/83 to 12/31/83	12	\$7.55		(\$2.12)	\$0.10	\$5.53
7	1/1/84 to 12/31/84	12	\$8.24		(\$2.44)	\$0.11	\$5.91
8	1/1/85 to 12/31/85	12	\$10.55		\$1.40	\$0.10	\$12.05
9	1/1/86 to 12/31/86	12	\$11.24		\$3.07	\$0.09	\$14.40
10	1/1/87 to 12/31/87	12	\$15.77		\$6.81	\$0.09	\$22.67
11	1/1/88 to 12/31/88	12	\$24.41		\$8.10	\$0.09	\$32.60
12	1/1/89 to 12/31/89	12	\$33.44		\$10.12	\$0.09	\$43.65
13	1/1/90 to 12/31/90	12	\$48.12		\$18.37	\$0.15	\$66.64
14	1/1/91 to 12/31/91	12	\$68.33		\$32.50	\$0.17	\$101.00
15	1/1/92 to 12/31/92	12	\$77.69		\$32.77	\$0.12	\$110.58
16	1/1/93 to 12/31/93	12	\$90.43		\$28.14	\$0.12	\$118.69
17	1/1/94 to 12/31/94	12	\$98.71		\$16.89	\$0.12	\$115.72
18	1/1/95 to 12/31/95	12	\$98.07		(\$1.24)	\$0.12	\$96.95
19	1/1/96 to 12/31/96	12	\$87.53		(\$15.06)	\$0.10	\$72.57
20	1/1/97 to 12/31/97	12	\$62.03		(\$47.19)	\$0.10	\$14.94
21	1/1/98 to 12/31/98	12	\$63.87		(\$58.37)	\$0.10	\$5.60
22	1/1/99 to 12/31/99	12	\$56.31		(\$50.81)	\$0.10	\$5.60
23	1/1/00 to 12/31/00	12	\$52.30		(\$46.79)	\$0.09	\$5.60
24	1/1/01 to 1/1/02	12	\$61.53		(\$47.21)	\$0.09	\$14.41
25	1/1/02 to 6/30/02	6	\$71.05		\$0.00	\$0.10	\$71.15
26	7/1/02 to 6/30/03	12	\$68.90		\$0.00	\$0.10	\$69.00
27	7/1/03 to 6/30/04	12	\$79.30		\$20.80	\$0.10	\$100.20
28	7/1/04 to 6/30/05	12	\$95.93		\$31.21	\$0.10	\$127.24
29	7/1/05 to 6/30/06	12	\$116.43		\$25.17	\$0.10	\$141.70
30	7/1/06 to 6/30/07	12	\$113.48		\$23.75	\$0.10	\$137.33
31	7/1/07 to 6/30/08	12	\$106.63		\$16.42	\$0.10	\$123.15
32	7/1/08 to 6/30/09	12	\$96.06		\$8.32	\$0.20	\$104.58
33	7/1/09 to 6/30/10	12	\$100.78		\$23.89	\$0.22	\$124.89
34	7/1/10 to 6/30/11	12	\$116.84		\$26.00	\$0.25	\$143.09
35	7/1/11 to 6/30/12	12	\$115.38		\$29.32	\$0.30	\$145.00
36	7/1/12 to 6/30/13	12	\$141.93		\$32.72	\$0.35	\$175.00
							\$300,000.00
							\$325,000.00
							\$350,000.00
							\$375,000.00
							\$400,000.00
							\$420,000.00
							\$440,000.00
							\$460,000.00
							\$480,000.00
							\$500,000.00
							\$500,000.00

Organization

- Board of Directors – 5 member companies appointed by Director of Department of Insurance & Financial Services
- Board members must represent at least 40% of premiums paid to MCCA.
- Director serves as ex-officio member
- Committees: Actuarial, Audit, Claims, Communications, Investment, Personnel
- Staff of 25 handle day-to-day operations



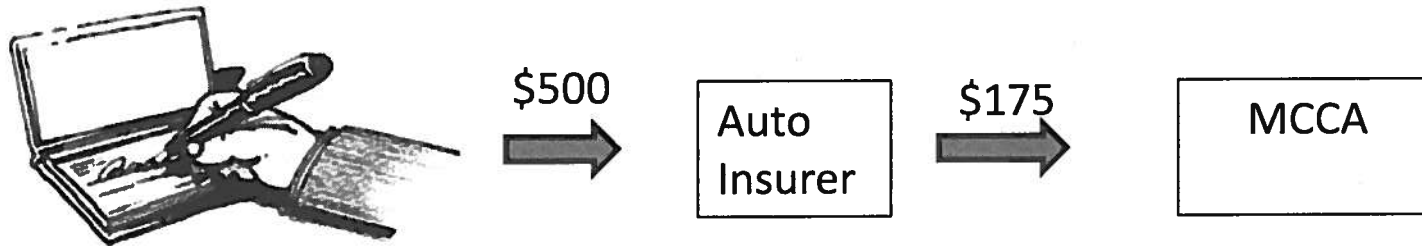
Oversight

- Annual Financial Statements
 - MCCA subject to same reporting requirements as member companies
 - Reviewed by DIFS financial auditors
- Annual Audit
 - Conducted by PricewaterhouseCoopers
- DIFS Financial Exam
 - Latest concluded in 2011

Payments

- Inception through June 2012, MCCA has paid \$9,900,000,00.
- FY 2011-2012 payments = \$930,000,000
- Represents average of \$78,000,000 per month

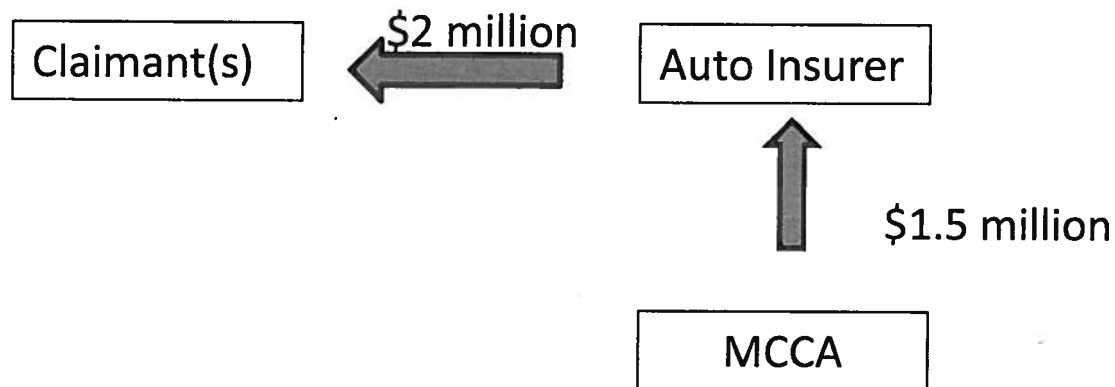
How it works - Premiums



How it works – Benefit Payments



In the event of a catastrophic accident with a \$2 million claim:



How it works (cont)

	<u>Premium</u>	<u>Loss Payment</u>
MCCA	\$175	\$1,500,000
Insurer	<u>\$325</u>	<u>\$ 500,000</u>
Total	\$500	\$2,000,000

Financial Condition

- For Year Ending June 30, 2012:

Assets:	\$14,285,000,000
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Liabilities:	<u>\$16,332,000,000</u>
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Surplus(Deficit)	(\$ 2,047,000,000)
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The MCCA is a private, non-profit association whose mission is to protect the financial integrity of Michigan's auto insurance industry by providing an effective reinsurance mechanism for Personal Injury Protection (PIP) benefits.

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March 20, 2013

MCCA Background
MCCA Law
Plan of Operation
Board of Directors

Purpose

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Latest News

(NEW) PRESS RELEASE - March 16, 2012

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PRESS RELEASE - March 25, 2011

The Michigan Catastrophic Claims Association (the MCCA) assessment to insurance companies will be \$145.00 per insured vehicle effective July 1, 2011 to June 30, 2012.

PRESS RELEASE - April 1, 2010

The Michigan Catastrophic Claims Association (the MCCA) assessment to insurance companies will be \$143.09 per



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